



1997 ASSEMBLY BILL 320

April 28, 1997 - Introduced by Representatives NOTESTEIN and CARPENTER, cosponsored by Senators GROBSCHMIDT, BURKE and HUELSMAN. Referred to Committee on Health.

1 **AN ACT to create** 49.45 (6m) (a) 1m. and 49.45 (6m) (ap) of the statutes; **relating**
2 **to:** calculation of interest expense of affiliated entities under medical
3 assistance.

Analysis by the Legislative Reference Bureau

Under current law, the department of health and family services (DHFS) reimburses nursing homes and community-based residential facilities that are certified by DHFS as providers of medical assistance (MA) for certain expenses incurred by the nursing homes and community-based residential facilities on behalf of MA recipients. DHFS determines the payments according to a prospective payment system that it updates annually. In determining the payments under that system, DHFS must consider patient levels of care and certain other categories of expenditures, such as support services, administrative and general expenses, fuel and utility costs and interest expenses of the nursing home or community-based residential facility. Currently, in determining the interest expenses of a nursing home or community-based residential facility, the interest income of the nursing home or community-based residential facility and the interest income of entities affiliated with the nursing home or community-based residential facility (affiliated entities) must be subtracted from the interest expense of the facility to the extent required under the state plan for services approved by the federal secretary of health and human services.

Currently, certain facilities enter into continuing care contracts with patients. A continuing care contract is a contract to provide nursing services, medical services

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or personal care services, in addition to maintenance services, for the duration of a person's life or for a term in excess of one year, conditioned upon an entrance fee in excess of \$10,000 or upon providing for the transfer of at least \$10,000 or 50% of the person's estate to the service provider upon the person's death. Under this bill, interest income of an affiliated entity that is a provider of services under a continuing care contract may not be subtracted from the interest expenses of the nursing home or community-based residential facility if the following conditions are met:

1. The interest income is earned on entrance fees of persons entering into continuing care contracts.

2. The provider of services under the continuing care contract accounts for assets related to, and interest earned on, the entrance fees separately from other funds.

3. The continuing care contract includes nursing home services.

4. The facility provides to DHFS annually a list of all individuals who have been admitted to the nursing home or community-based residential facility and who have entered into a continuing care contract with the affiliated entity.

5. No individual who has been admitted to the nursing home or community-based residential facility and who has entered into a continuing care contract with the affiliated entity has had his or her care in the nursing home or community-based residential facility reimbursed by MA in the most recent year for which the list was prepared or in the 3 preceding years.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 49.45 (6m) (a) 1m. of the statutes is created to read:

2 49.45 **(6m)** (a) 1m. "Continuing care contract" has the meaning given in s.
3 647.01 (2).

4 **SECTION 2.** 49.45 (6m) (ap) of the statutes is created to read:

5 49.45 **(6m)** (ap) In calculating under par. (am) 5m. the allowable interest
6 expense of the facility, interest income of an affiliated entity that is a provider of
7 services under a continuing care contract may not be subtracted from allowable
8 interest expense of the facility if all of the following conditions are met:

9 1. The interest income is earned on entrance fees of persons entering into
10 continuing care contracts.

